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TAGS: [ETRD](#) [EINV](#) [EAGR](#) [MY](#)
SUBJECT: U.S.-MALAYSIA FTA - GOM WORKING BEHIND THE SCENES

Classified By: Deputy Chief of Mission David Shear for Reason 1.5 (b)

11. (C) Summary. The new Deputy Secretary General for Trade in the Ministry of International Trade and Industry (MITI) assured econoffs that Malaysian negotiators would soon obtain Cabinet approval to address the key substantive issues in our bilateral FTA talks. She said MITI was engaging in extensive interagency discussions out of the public eye to iron out interagency differences and make Cabinet approval more straightforward. She acknowledged the importance of inter-sessional work, but said this must wait for cabinet approval first. She confirmed that Malaysian negotiators understand that U.S. TPA legislation imposes a real deadline, but observed that the accelerated schedule runs counter to Malaysia,s preferred way of doing business. She speculated that the U.S. and Malaysia would be able to reach agreement on goods market access and investment with relative ease, but said devising a mutually acceptable approach to services would continue to challenge negotiators. Our sense is that MITI is finding the Malaysian inter-agency process more difficult than expected, but that the government,s commitment to the negotiations remains firm. End summary.

12. (C) Rebecca Fatima Sta Maria, MITI,s new Deputy Secretary General for Trade, assured econoffs in a get-acquainted meeting September 20 that Malaysian officials are working hard behind the scenes to move the FTA process forward. Rebecca said MITI is engaging in extensive discussions with other relevant ministries to iron out issues, with the goal of presenting to the cabinet a draft paper on negotiating authority that could be approved by ministers without difficulty. She claimed that MITI was "almost there" in terms of finalizing a draft. She also noted that MITI is working more closely with Parliament given its increasing attention to the FTA process. She suggested such engagement would be beneficial over the long run, but slowed the bureaucratic process to a certain extent.

13. (C) Econ Counselor underscored the importance of inter-sessional work to ensure a productive third round, and noted in particular the U.S desire to exchange market access offers. Rebecca said that Malaysia understood that inter-sessional work was important, though it would continue to be constrained until after cabinet approval of the draft paper granting negotiating authority. Econ Counselor suggested that there might be non-controversial areas that could be discussed in advance of the Cabinet approval, such as currently stalled efforts to hold a DVC on biotechnology regulatory systems. Rebecca took the idea on board, but appeared visibly uncomfortable with the idea of talking in

advance of the Cabinet ruling. (Comment: MITI officials clearly want to avoid activities that might be construed as presuming on the Cabinet,s prerogatives.)

¶4. (C) Econ Counselor stressed that TPA expiration is a genuine deadline that would necessitate a lot of work on both sides in order to reach an agreement by early 2007. Rebecca responded that the GOM recognizes the tight negotiating schedule that TPA imposes, but added that it is forcing Malaysia to accelerate its consideration of many issues that it would prefer to deliberate over time. She added that some Malaysian negotiators were taken aback by the urgent tone in some earlier negotiating sessions, which "grated" on Malaysian feelings. She underscored the Malaysian preference for seeking mutual agreement through gradual persuasion, which of course is a time-consuming process.

¶5. (C) Rebecca provided her personal view on several FTA issues from the perspective of an official who is relatively new to the process (though she said she has been involved behind the scenes in developing the Malaysian position on the investment chapter). She speculated that both sides would be able to reach agreement on goods market access issues with relative ease, given Malaysia,s generally low-tariff approach to most goods. She also suggested that Malaysia would accept a negative list approach in the investment chapter. However, she said that devising a mutually acceptable approach to negotiating a services chapter would continue to pose a challenge.

¶6. (C) Comment: Rebecca emphasized the depth and extensiveness of the Malaysian inter-agency consultations, and the pains MITI officials are taking to ensure that all parties are on board with the paper that will be submitted to the Cabinet. Our sense is that this process has proved more difficult than expected, and undoubtedly was complicated by the recent turnover in leadership at MITI. However, she also made clear that MITI expects a smooth passage through Cabinet once inter-agency differences are ironed out. This reinforces the message that we have been hearing from other corners, notably in Prime Minister Abdullah,s comments to the press in New York, that the government,s commitment to the negotiations remains firm.

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